



BOARD OF DIRECTORS MEETING

8 November 2019 Meeting Minutes

APPROVED

Board Members Present: Cathy McClain '82, Chair; Bob Lowe '71, Vice Chair; Ginny Caine Tonneson '80, Secretary; Glenn Strebe '87, Treasurer; Hans Mueh '66; Garry Dudley '68; Frank Gorenc '79; Diann Boyle '83; Dennis Dabney '89; John Vargas '96; Nancy Taylor '01; Andrew Hendel '09; Doug Brower '72, President, Class Advisory Senate.

Board Members Present via Telecon: Will Gunn '80; Emma Przybyslawski '10.

Board Members Absent: Mark Volcheff '75.

AOG Staff Present: Marty Marcolongo '88, President and CEO; Steve Simon '77, Executive Vice President; Alton Parrish, CFO and Senior Vice President for Finance; Corrie Grubbs, Senior Vice President, Operations; Michele Bergeman, Vice President, Alumni and Constituent Relations; Jeffrey Holmquist, Director of Communications; Gayle Yamazaki '83, Director of Administration; Emma Ross, Executive Assistant; Daniel Kuhn, IT Support Specialist; Nick Johannsen, Web Developer.

Guests Present: Brig Gen Michele Edmondson, Commandant of Cadets; Capt Caitline Oviatt '10, Commandants, Commanders Action Group; Maj Scott Kelly, Commandants, Commanders Action Group; Kimberly Tebrugge '92, Director of Strategic Communications; Tom Berry, Senator, '71; Hank Hoffman '63; Ski Wagaskyi '72; Steve Hochstetter, Stockman Kast Ryan.

I. Call to Order/Chairman's Welcome

Chair McClain called the meeting to order at 8:30 a.m. MST, Friday, 8 November 2019.

II. Chair's Comments

Chair McClain discussed the absent member and had the guests introduce themselves.

III. Consent Agenda

The consent agenda included the 2 August 2019 Meeting Minutes (Attachment 1) and 26 August 2019 Special Meeting Minutes (Attachment 2). The consent agenda was unanimously approved.

IV. Agenda

Chair McClain noted one minor change and reminded the group that the 94 FTS had invited the Directors and AOG Senior Staff to lunch at the airfield to thank the Board for applying Bennett funds for the purchase of next generation, virtual reality trainers.

MOTION: Director Tonneson moved and Director Dudley seconded to approve the agenda as is. The motion was unanimously approved.

V. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 8:32 a.m. MST to discuss committee additions, an addition to the Graduate War Memorial, an Honorary AOG Member motion, and updates from the Single CEO Selection Task Force and the Distinguished Graduate Award Committee.

VI. Open Session

The Board went into open session at 9:40 a.m. MST.

VII. Committee Assignments

MOTION: The Heritage and Traditions Committee moved to add the following individual as a non-Director voting member of the Heritage and Traditions Committee through April 2021: Mark Ewig '70. The motion was unanimously approved.

MOTION: The Nominating Committee moved to appoint the following to the Nominating Committee: Betsy Pimentel '80, Jody Merritt '89, Chris Mulder '01, Michelle Ruehl '03, and Tara Nolan '94. The motion was unanimously approved (Attachment 3).

VIII. Graduate War Memorial

Director Dudley presented the circumstances surrounding the death of Capt Bryan Rye. Capt Rye was the pilot of an HH-53C and was killed in an accident due to rotor head failure during a functional check flight in Thailand on 24 January 1975.

MOTION: The Heritage and Traditions Committee moved that Capt Bryan Rye, USAFA Class of '71, be added to the Graduate War Memorial. The motion was unanimously approved.

IX. Honorary AOG Member

Director Mueh proposed that we consider Lt Gen (ret) John W. Rosa, Jr. as an AOG Honorary Member. After reviewing his qualifications, the Board unanimously approved that Lt Gen John W. Rosa, Jr. be offered an Honorary Membership in the AOG.

X. Single CEO Selection Task Force Update

MOTION: The Single CEO Selection Task Force moved that we accept the six performance standards for evaluation, the 3-year term, and salary range for the single CEO. The motion was unanimously approved.

Director Volcheff had provided input to the Board concerning guidance for the single CEO as well as the idea of having a joint meeting with the AOG and USAFA Endowment Boards. Director Lowe presented these ideas in Director Volcheff's absence. Director McClain viewed both proposals as motions and they were handled accordingly.

MOTION: Director Volcheff moved to create Board guidance in advance of the Single CEO to set the stage for, and optimize, success. There was no second to the motion.

MOTION: Director Volcheff moved that the AOG Board pursue a joint Board meeting or other meeting activity with the USAFA Endowment Board of Directors as a prelude to putting a single CEO in place. There was no second to the motion.

In response to a question concerning how often the leaders of the AOG and USAFA Endowment Boards currently meet, Director McClain noted that through various venues and joint committees, they meet several times between meetings. She suggested that we hold a joint social event when the new CEO comes on board.

XI. Committee Updates

a. Audit Committee

Mr. Steve Hochstetter from Stockman Kast Ryan discussed the governance letter and draft audit report. He noted that the audit went very well with excellent cooperation and access from the AOG. There was one small adjustment to the audit which did not have a material impact on the financial statements. Mr. Hochstetter noted that the highest level of assurance CPAs give on financials is an unmodified opinion, which is what they are issuing to the AOG. This means that our financial statements are accurate in regard to generally accepted accounting principles (GAAP).

Total assets increased \$800,000 due to investments and a grant from the USAFA Endowment. Net assets increased \$660,000. He noted that this year all not-for-profit organizations were required to adopt a new accounting standard (ASU 2016-14). As part of that, we are required to present the statement of functional expenses. Our program expense percentage is 84%, which reflects the percentage of dollars spent on program services versus supporting services. He pointed out that charity watchdog organizations typically give their highest ratings when organizations have over 75% in program services, so 84% is very strong. He also discussed the report section on Liquidity and Availability, which is a new disclosure as a result of the new accounting standard. We have over \$15 million available for general operations, which represents strong liquidity from an operating standpoint.

b. Finance and Investments Committee:

Committee Chair Strebe had nothing to report.

c. Awards Recognition Committee

Committee Chair Vargas provided an update on the Sullenberger Award for Courage. It has been approved by USAFA as HQ USAFA Instruction 3628-15. It is currently scheduled to be awarded during Founders' Day, but the Academy is concerned about it being awarded at the same venue where we honor the Distinguished Graduates who have provided a lifetime of service. Other options are to have it presented during that National Character and Leadership Symposium (NCLS), a home football game, or with the Jabara Award. The committee prefers NCLS. Committee member Rock reached out to Mr. Sullenberger and he was very excited about doing it then. SVP Grubbs will coordinate with the Academy to see if they agree with presenting it at NCLS. She will then discuss it with the Center for Character and Leadership Development.

Committee Chair Vargas then updated the Board on the Young Alumni Award. There are currently very few submissions, but nominations can be submitted until 10 January 2020. The presentations for the winners will be held during local Founders' Day events in April 2020. He also noted that the committee thought there might be an opportunity to establish an award to recognize the great things USAFA graduates are doing for their communities. Chair McClain noted that there are lots of examples of this in *Checkpoints* and in '7258. She asked Director Vargas to report back to the Board in February with ideas on what a community service award might look like. CEO Marcolongo suggested that it be called a recognition program rather than an award so as not to alienate anyone.

d. Distinguished Graduate Award Committee

Director Gunn discussed the nominees in executive session. Because this is a joint AOG-USAFA award, recipients are notified by a joint Chair/Superintendent letter prior to the announcements of the award recipients.

e. Heritage and Traditions Committee

Committee Chair Dudley discussed a recent West Point graduate who recently toured the Heritage Trail and commented on how exceptional it was. He noted that it is important to make a visit to the Heritage Trail the best experience possible because it honors both deceased and living graduates and inspires cadets and graduates. The committee is working with EVP Steve Simon and the AOG Heritage and History Projects Officer, Amanda Hess, to identify specific ways to improve the trail experience. They are currently concentrating technology to improve the experience for the local visitors and technology to make the trail more available to virtual

visitors. The committee hopes to have a motion for Board consideration at the February meeting.

f. Governance Committee

Committee Chair Lowe recommended that the review of Governance Policy Chapter 4 (Governance Process) be delayed until we have a new CEO. Chair McClain agreed and also directed that the Chapter 2 (Executive Limitations) review be deferred until our May 2020 Board meeting.

XII. Class Advisory Senate Update

Director Brower noted that the USAFA Director of Admissions, Col Primus '92, spoke at the latest Class Advisory Senate meeting. They are still toying with the idea of having a guest at every other meeting and focusing solely on CAS business when there is no visitor. The CAS is still having difficulty finding Senators for the newer classes. Chair McClain asked Director Brower to send the Board members an email with the current Senator vacancies so that they can suggest fills.

XIII. Presentation by the Commandant, Brig Gen Edmondson

Brig Gen Edmondson opened her presentation by giving her background and then commenting on the various training events and the assessments of them. She is asking cadets to have proper customs and courtesies, be at the right place at the right time, do the right thing, be respectful to all superiors, and for training to be conducted safely and professionally with everyone treated with dignity and respect. In short, she is asking cadets to represent USAFA in a way that we all would like for it to be represented. She noted that military training should not be about tearing cadets down for four years, but rather, should be motivating and inspiring so that everyone can reach their potential. She talked about objective-based training whereby every activity should be mapped to an objective with an assessment to see if the cadets met the objective. This includes measuring and assessing the cadets-in-charge.

Cadets are now marching to lunch every day, and that while cadets can still make professional corrections during meals, the focus is on nourishing the cadets. She discussed various summer programs and noted that during BCT they will now have the Athletic Department run the physical training so that it is standardized, and the basics are properly conditioned. She is also looking at the transition schedule between BCT and the academic year as well as what Recognition should look like.

Brig Gen Edmondson commented that she has had nothing but great support from the AOG and Colorado Springs community, although we could help her by encouraging graduates to model positive behavior at football games. She noted that the honorary commander program is going strong and there have been 32,000 visitors to the planetarium since it reopened in March. They are trying to think of ways to increase the community connection. She will address the Rampart Range Chapter during 2020. Director Vargas asked what they were doing with Full Spectrum

Readiness. She said they are doing the basics, but previously it was not considered. Director Dabney commented that Fourth Class training is a shared and unifying experience for alumni and asked the Commandant if she appreciated Cadet Wing traditions when making adjustments to training. The Commandant shared that she is surrounded by graduates and takes their input. Director Strebe wondered about the sustainability of changes and how they will know if they are successful. She said they are documenting what they are doing, and she has offered to stay for a third year to help institutionalize the changes.

XIV. Executive Session

The Board went into executive session IAW Bylaws Article V Section 8 at 1:08 p.m. MST to discuss additions to the Nominating Committee. The resulting motion is noted under the *Committee Assignment* section.

XV. Open Session

The Board went into open session IAW Bylaws Article V Section 8 at 1:10 p.m. MST.

XVI. AOG Update

a. CEO Review of AOG Performance

CEO Marcolongo provided an update on AOG activities over the past three months to include Acceptance, the Commitment Dinner, Ring Melt, Service Academy Career Conference, Chapter Presidents' Conference, Parents' Weekend, Homecoming events, numerous tailgates and alumni gatherings, Young Alum events, service projects, and reunions (Attachment 4). He also discussed future events occurring through December and how they provided the ability to connect people and advertise graduate businesses.

Since the last Board meeting, the revised career services platform has been launched. SVP Grubbs spoke about how the Class of '82 has sponsored a resume review service and how this fills a void. There is now a service to help transition from rated to civilian careers. The other service academies now want to get involved in this. CEO Marcolongo also discussed the launch of ZoomieLink. He noted that the Class of '09 is using it for their reunion. In the two months since its launch, there are already 2,481 members. He then discussed service projects, their impact, and how the AOG is communicating these initiatives. Additionally, the AOG tested out the idea of a 15-year get together with the Class of '04 in late October. CEO Marcolongo concluded by showing the AOG's Facebook page which includes photos, upcoming events, posts, and videos.

b. Quarterly Financial Update

CFO Parrish provided a quarterly update (included in Attachment 4). Total net assets decreased about \$1.1 million year-over-year. The net surplus for operations

was \$301,200 for the fiscal quarter. Cash and cash equivalents as of 30 September 2019 were \$316,400. The cash-basis deficit from operating activities was \$23,300. He noted that for this fiscal year, the AOG will pay for any repairs to Doolittle Hall out of operating funds. He showed a chart of the fiscal year-to-date restricted gifts to/for USAFA by pillar for a total of just over \$1.9 million. He then commented that CEO Marcolongo and Emma Ross have been working with the senior USAFA staff to make sure they know about the funds available and how to go about asking for them. A discussion ensued as to why it was difficult to give money away with SVP Grubbs noting the importance of educating new USAFA staff members about the availability of funds and the process to request them.

Director Gorenc wondered if there was a better way for the Board to be able to tell which areas are going well or are areas of concern. The group discussed the potential of using a stoplight chart or other method to highlight the issues. Chair McClain asked CEO Marcolongo and CFO Parrish to work with Director Strebe on a way to summarize the financial statement. Director Gorenc pointed out this would be important as we transition to a single CEO, while Director Lowe noted the importance of having financial takeaways that are easy to transmit back to our classmates.

c. CEO Monitoring Reports

CEO Marcolongo reported compliance with the following monitoring reports: 2.8 Compensation and Benefits, 2.10 Program Events Services, 2.12 Official Opinions or Recommendations, 2.13 AOG-USAFA Endowment MOU. He informed the Board that the AOG will be moving from Confluence to SharePoint.

d. Plan to Achieve Ends

CEO Marcolongo discussed his meeting with the AOG's attorney, Peter Nagel, concerning the issue of whether there was a way to implement an all-graduate membership in the AOG without a Bylaws change (also in Attachment 4). Technically, this could be accomplished without a Bylaws change, but it would involve someone paying for every graduate to become a member since the Bylaws currently note that members must pay dues. The danger with an all-graduate membership is that getting a 25% quorum of roughly 50,000 members (all graduates) will be even more difficult than with our current membership. He suggested that realistically we would need to: 1) lower the quorum; 2) create a two-tiered graduate membership where all graduates receive benefits, but only paid members can vote; or 3) lower the quorum and create a two-tiered membership. He then talked through the issues inherent in a two-tiered membership model to include what benefits a paying versus non-paying member would receive and the fact that every part of the Bylaws that describes the rights of a member would potentially have to be reviewed. He recommended that the AOG serve all graduates today and put the lower quorum issue on the 2021 ballot. Then on the 2023 ballot, consider officially changing the membership after a review of the AOG financial situation,

the success of the campaign up to that point, and other membership considerations vis-à-vis the success of the single CEO.

A discussion ensued about an all-graduate membership to include the how much it would cost if membership went away (\$500,000-\$600,000); the impact on customer service, merchandizing, and tailgates; and the potential impact on the Moller Trust if we are re-designated as a 501(c)17 (membership organization), rather than as a 501(c)3 (charitable organization). CEO Marcolongo has talked to Mr. Nagel and he does not foresee that there would be a re-designation issue. CEO Marcolongo discussed a “welcome back” campaign to reach all graduates but noted the importance of the Young Alumni Ambassadors and grassroots efforts.

The discussion then turned to the timing of a membership Bylaws change and whether it made sense to wait until 2023. Chair McClain noted that at our February Board meeting, we will make the decision on what is on the ballot. She tasked the Governance Committee, along with EVP Simon and Director Strebe, to come up with a list of pros and cons of putting both the quorum issue and the membership issue on the 2021 ballot.

CEO Marcolongo showed a slide on financial options to achieve the end of an all-graduate membership and pointed out that there are no straight-forward options at this point. Alternatives could include: 1) undoing designations on Board Designated funds, 2) increasing the FMIP payout past 4.5%, or 3) aggressively soliciting an additional \$10 million. Chair McClain said that these options would replace the missing funds, but not the increased cost of more members. She also noted that we are already providing service to all graduates, and stressed that we want to engage “graduates,” not “members.”

e. Risk Mitigation

CEO Marcolongo discussed the fact that we have Policy 2.7. *Emergency Executive Succession* and that it is reviewed every February. The AOG also has plans in place for natural and human-caused disasters, technology issues, and events unique to being on an Air Force Base (such as the AOG staff being denied access to base). The plans address notification, assessment, response, and external communications.

XVII. Dress Code for Board Meetings

Director Lowe brought up the dress code for Board meetings. He believes the Directors may give a stuffy impression and wondered whether business casual (open collar, blazer, slacks) would be acceptable. Chair McClain noted that while there is no written dress code, a suit and tie is the culture.

MOTION: Director Lowe moved and Director Dudley seconded to change the Board meeting attire to be a minimum of business casual. The motion passed unanimously.

XVIII. Chair's Comments

Chair McClain thanked the group for their work. She asked Director Dudley to share an email from the Vice President of the Class of 2023 expressing interest in contributing to the Air Gardens project.

XVIV. Adjournment

Chair McClain adjourned the meeting at 4:11 p.m. MST.

Note: Portions of the minutes have been rearranged from the time sequence to topical sequence.

Respectfully submitted,
Virginia Caine Tonneson, Secretary

Atch:

1. 2 August 2019 Approved Meeting Minutes
2. 26 August 2019 Approved Special Meeting Minutes
3. Committees of the Board
4. CEO Review of AOG Performance (including Quarterly Financial Update)